

CHILD CARE ASSISTANCE = LABOR FORCE PARTICIPATION

Child Care Assistance Sustains Arizona Families & Businesses.

- Child care subsidies benefit Arizona employers by allowing low income families to work. Without continued state assistance, parents cannot work and businesses will lose employees. Parents lose productivity due to unstable or inconsistent child care arrangements.¹
- Employers cannot hold jobs for parents until they obtain help with child care. In a recent survey of families receiving child care subsidies, 50% said they would have to quit work without the assistance, 42% would go on welfare, 16% would quit training or school and 8% would leave their child home alone.²

Employees Need Child Care to Retain Their Job.

- Low-income working families struggle to meet basic needs and have difficulty affording child care. Child care costs between \$4,250 and \$7,500 per child per year, more than annual tuition at an Arizona university.
- Child care subsidies are a bridge for families between poverty and self-sufficiency. A single parent earning \$20,000 annually with one 3 year old child spends 30% of their income on child care.³ The average time a low-income working family uses child care subsidies is 10.8 months.⁴ Single mothers with young children who receive child care assistance are 40% more likely to still be employed after 2 years than those who did not receive assistance.⁵
- Child care assistance has played an important role in the decline in welfare caseloads and in the increase in single-parent employment.⁶ Former welfare recipients who receive child care assistance are 82% more likely to be employed after 2 years than those who did not receive assistance.⁷
- Arizona welfare reform legislation (TANF) requires parents to work after a child is 1 year old. The number of Arizona families on TANF who are required to participate in work-related activities that received child care subsidies increased 15.9% from FY 2002 to 2003.⁸

Child Care Supports Arizona's Economy.

- Child care assistance allows parents to work and pay taxes, creates jobs in the private sector and increases goods purchased locally. Recent research verifies that child care helps parents to stay off of welfare, keep jobs, and work more hours.⁹
- In Arizona, there are 170,505 Arizona employed primary caregivers in the workforce with children birth to 5 years old. The net income generated by Arizona residents who use paid child care arrangements is estimated to be \$1.9 billion.¹⁰
- It is estimated that Arizona child care centers employ 19,328 individuals and the industry generates gross receipts of \$868 million and labor income of \$303 million.¹¹
- Approximately 18% of the children in licensed or contracted child care in Arizona rely on subsidies down from 21% prior to the initiation of the waiting list.¹² As the waiting list grows, child care providers are forced to lay off employees or even go out of business. Rural communities and low income neighborhoods will be most severely impacted.¹³ This will cause a harmful ripple effect on Arizona's economy.

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Current Status in Arizona.

- Population growth, inflation and low wages have increased the demand for child care, causing subsidies to double between FY 1998 and 2002.¹⁴ Approximately 37,000 children in Arizona receive child care subsidies each month. Child care is required to be provided for families on welfare in work related activities and for families who are working and recently left welfare. Children involved with child protective services may also receive child care services. Low-income families that earn up to 165% of the federal poverty level (\$20,608 /year for a single parent with 1 child) may receive assistance for a portion of the cost of care. Parent co-payments can be as high as \$365 per month or 19% of their gross income.¹⁵
- In March 2003, the state started a waiting list for child care assistance. As of February 2004, 8,966 children or 4,483 families are on this list and this number is estimated to rise to 14,400 children or 7,200 families by June 2004.¹⁶
- In a recent poll, Arizona voters rejected the idea of cutting back child care subsidies by a 3-to-1 margin, with 66% opposed to reductions, 23% favorable and 11% undecided.¹⁷

Governor Napolitano's Proposal is Smart for Business & Benefits Families.

- The Governor's budget requests \$24.2 million to reduce the waiting list and \$29.3 million to fill a gap left by previous year usage of federal funds that are no longer available. [Total request of \$53.5 million]. Under the Governor's proposed budget the waiting list will be reduced to 3,285 families or 6,570 children in FY 2005. To sustain the current program and eliminate the waiting list, \$72 million is required.
- The state legislature's budget **reduces the current child care budget** by \$33 million, resulting in approximately 10,000 less children receiving child care assistance in FY 2005. It is estimated that there will be 29,000 children on the waiting list in FY 2005,¹⁸ more children "waiting" than served.
- The Governor, business leaders, educators, parents and elected officials are working together to help children begin 1st grade safe, healthy, ready to succeed. Providing low-income children with reliable child care is paramount to achieve this aim.

¹ Children's Action Alliance, *Child Care Subsidies Work for Arizona*, Phoenix, Arizona, November 2003.

² Department of Economic Security Child Care Customer Survey, sample size 4,455, response rate of 17.5%, 2003. For referenced survey question, percentage total equals more than 100% as respondents were allowed to indicate multiple responses.

³ Based on the *Child Care Market Rate Survey, 2002*, Maricopa County Office of Research & Reporting, Department of Economic Security, December 2002. Annual cost of child care is \$5,750, which is statewide median cost of \$23/day for 5 days/wk, 50 wks/yr for full-time center-based child care for a 3 yr old.

⁴ Department of Economic Security statistic, reported March 9, 2004.

⁵ Boushey, H. *Staying Employed After Welfare: Work Supports and Job Quality Vital to Employment Tenure and Wage Growth*, Economic Policy Institute, Washington, DC, 2002. Calculations by Children's Defense Fund, 2003.

⁶ Mezery, Jennifer et. al., *Reversing the Direction of Welfare Reform: President's Budget Cuts Child Care for More Than 300,000 Children*, Center on Budget and Policy Priorities, Washington, DC, 2004.

⁷ Op cit., Boushey, H. *Staying Employed After Welfare: Work Supports and Job Quality Vital to Employment Tenure and Wage Growth*.

⁸ Department of Economic Security Child Care SFY 2004 projections, July 11, 2003.

⁹ Fremstad, Shawn, *Recent Welfare Reform Research Findings: Implications for TANF Reauthorization and State TANF Policies*, Center on Budget and Policy Priorities, Washington, DC, 2004.

¹⁰ *An Economic Analysis of the Child Care Industry in Arizona*, Center for Business Research, WP Carey School of Business, Arizona State University, unpublished research, 2004.

¹¹ Ibid.

¹² Department of Health Services reports that there are 200,000 licensed child care spots in Arizona. Department of Economic Security reports that there are 1,512 certified family child care homes @ 4 children each = 6,048, plus 3,425 relative homes @ 1 child each for total capacity of 209,048. DES reports that there were 37,000 children using subsidies in February 2004 and there were 42,719 average monthly usage in 2003.

¹³ Arizona Child Care Association, *No Child Care for Low Income Working Parents*, Phoenix Arizona, 2004.

¹⁴ Department of Economic Security Child Care Expenditure Reports FY 1998 & FY 2003 (Cash Basis Payments).

¹⁵ *Arizona State Plan for Child Care & Development Fund Services*, October 2003.

¹⁶ *Report on Child Care Subsidies Waiting List*, Department of Economic Security, February 2004.

¹⁷ *State Budget Cuts for Child Care and Universities Off-Limits*, KAET poll, May 20, 2003.

¹⁸ *FY 2005 Legislative Budget Impact Statement*, Department of Economic Security, February 2004, pg 9 & 11.